

Message Text

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ORIGIN NEA-10

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TO AMCONSUL BOMBAY IMMEDIATE
AMEMBASSY PARIS IMMEDIATE
INFO AMEMBASSY NEW DELHI

C O N F I D E N T I A L STATE 176522

BOMBAY FOR COURTNEY - PARIS FOR NYE AND SIEVERING

E.O. 11652: GDS

TAGS: TECH, IN

SUBJECT: TARAPUR FEASIBILITY STUDY

REF: BOMBAY 1786

1. IN VIEW OF THE TIME FACTOR, THE IMMINENCE OF THE NYE VISIT, AND THE CONTINUING INDIAN PROBLEM WITH THE INDEMNITY CLAUSE, ERDA AND STATE OFFICIALS MET JULY 27 TO WEIGH OUR NEXT STEP ON THE PROPOSED FEASIBILITY STUDY. OUR FEELING IS THAT DESPITE THE LEGAL/TECHNICAL DIMENSIONS OF THE PROBLEM AND DESIRE OF BOTH SIDES TO KEEP NYE TALKS FOCUSSED MAINLY ON POLICY ISSUES, FAILURE TO REACH AGREEMENT SO FAR ON THE STUDY WILL INEVITABLY CAST A PALL ON THE TALKS. OUR ASSUMPTION REMAINS THAT THE IAEC SEES A U.S.-FINANCED
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STUDY OF THE FEASIBILITY OF EXPANDING STORAGE SPACE AS AN IMPORTANT ASPECT OF OUR OVERALL NUCLEAR APPROACH, WHICH OF COURSE BARS AN INDIAN RESOLUTION OF THE STORAGE PROBLEM BY THEIR REPROCESSING U.S. FUEL AT PREFERENCE. WE FEEL THE INDIANS ARE BOUND TO EXPRESS DISAPPOINTMENT THAT THE AGREEMENT ON THIS FEASIBILITY STUDY STILL HAS NOT BEEN REACHED AFTER FOUR MONTHS NEGOTIATING. WE UNDERSTAND SETHNA HAS

ALREADY EXPRESSED CONCERN THAT THE LAWYERS ON BOTH SIDES HAVE "GOTTEN A HOLD" OF THE STUDY QUESTION. SETHNA MAY SEE NYE'S AND SIEVERING'S PRESENCE AS OFFERING AN OPPORTUNITY TO PRESS SUCCESSFULLY AT THE POLITICAL LEVEL THE INDIAN ARGUMENT ON THE INDEMNITY CLAUSE.

2. WE WOULD APPRECIATE HAVING CONSUL GENERAL COURTNEY'S ASSESSMENT OF THE NEGOTIATING SITUATION AT THIS POINT AND THE LIKELIHOOD THAT SETHNA WILL PURSUE THE INDEMNITY QUESTION WITH NYE AND COMPANY. WE WOULD ALSO WELCOME HIS BEST JUDGMENT AS TO HOW DEEP THE INDIAN DIFFICULTY WITH THIS CLAUSE RUNS. THE INDIANS HAVE SHIFTED THEIR POSITION SOMEWHAT IN RECENT MONTHS. IN APRIL SHAH SEEMED TO INDICATE THAT THE GOI WAS READY TO INDEMNIFY GE AGAINST ANY NUCLEAR INCIDENT RESULTING FROM THIS STUDY OR FROM APPLYING THE STUDY'S RESULTS (BOMBAY 0966 AND 0905). THEN IN LATE MAY THE INDIANS ACCEPTED THE INDEMNITY PRINCIPLE (BOMBAY 1200). DOES THEIR CURRENT POSTURE REFLECT CHANGED RELATIONS WITHIN IAEC OR BETWEEN THE IAEC AND DELHI? HAS SHAH BEEN SPEAKING OUT OF TURN?

3. ASSUMING THE INDEMNITY DIFFICULTY IS NEGOTIABLE, AND THE INDIANS ARE STILL INTERESTED IN HAVING A USG-FINANCED STUDY ON ROUGHLY THE TERMS WE HAVE OFFERED, HOW SHOULD WE BREAK THE PRESENT IMPASSE? VANCE

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